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California Legislature

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August 28, 1978

Letter Report 827.2

The Honorable Lawrence Kapiloff, Chairman
Assembly Special Subcommittee on Aging
1116 Ninth Street, Room 58
Sacramento, California 95814

Dear Mr. Chairman:

Your Joint Legislative Audit Committee respectfully forwards the Auditor General's letter report on the California Department of Aging's expenditure of Older Americans Act monies.

The auditors are Harold L. Turner, Audit Manager; Robert E. Christophel and Jacques M. Barber.

Sincerely,

MIKE CULLEN
Chairman



Joint Legislative Audit Committee

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August 24, 1978

Letter Report 827.2

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
State Capitol, Room 5144
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a resolution of the Joint Legislative Audit Committee, we have reviewed the California Department of Aging's (CDA) expenditure of monies made available since 1974 under Title III (coordinated services) and Title VII (nutrition projects) of the Older Americans Act. This review was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

Letter Report 827.1, released in May 1978, was the first in a series of reports addressing the CDA's expenditure of Title III and Title VII Older Americans Act monies. That report showed total cumulative unexpended monies for Title III and Title VII programs for the period ending March 31, 1978. This report provides an update on such monies for the period ending June 30, 1978. Our third report will show expenditures through the federal fiscal year ending October 31, 1978 and will evaluate the overall performance of the Department in achieving its stated goals and objectives.

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
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We conducted interviews and analyzed records pertaining to the expenditure of Title III and Title VII grants awarded to California since 1974. The information presented in this report was extracted from Department records which we did not audit. Department records indicate that since 1974 the State has been awarded a total of \$118.7 million in federal grants under Title III and Title VII programs. As of June 30, 1978, total cumulative unexpended funds were approximately \$32.4 million, or 27 percent of total grant awards. Table 1, page 4, presents an analysis of unexpended funds by grant year through June 30, 1978.

Background

The California Department of Aging has been designated as the single state agency responsible for administering grant awards to provide a wide variety of services and meals for Californians aged 60 and over.

Church groups, senior citizens organizations, councils, commissions and other interested agencies may seek funds for nutrition or service projects by submitting a project plan to the CDA.

Monies drawn by the California Department of Aging are disbursed to the various community services and nutrition projects. Payments are made to these projects only after the projects file a claim with the Department showing actual expenditures incurred to date and projected expenditures for the ensuing month.

The purpose of Title III is to develop comprehensive and coordinated service systems for older persons by providing funds to attract support from public and private agencies at the community level. Area Agencies on Aging (AAA) are responsible for planning and coordinating services and resources existing within their areas. Services include transportation, information and referral counseling, shopping assistance and outreach, recreation and education programs. As of July 1, 1978, there were 68 Title III projects, including 17 AAAs and 51 Direct Service Areas.

The purpose of Title VII is to provide funds for low-cost nutritionally sound meals and attendant services for needy senior citizens. Meals may be home-delivered or provided at congregate dining locations. As of July 1, 1978, there were 76 nutrition projects in California serving hot meals to a daily average of approximately 43,000 senior citizens.

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
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Status of Older Americans Act
Monies as of June 30, 1978

Since 1974, the State of California has been awarded a total of \$118.7 million in federal grants from Title III and Title VII of the Older Americans Act. Table I shows that as of June 30, 1978, total expenditures of Title III and Title VII programs were \$86.3 million.* As of June 30, 1978, total cumulative unexpended funds for these two programs were \$32.4 million:

- \$13.6 million for Title III (Table II)
- \$18.8 million for Title VII (Table III).

*CDA expenditures represent funds advanced to the various community projects and are not necessarily an indication that they have been spent by the projects.

TABLE 1

SUMMARY OF CALIFORNIA DEPARTMENT OF AGING EXPENDITURES^{1/}
TITLE III AND TITLE VII GRANT AWARDS 1974 THROUGH 1978
STATUS AS OF JUNE 30, 1978
(UNAUDITED)

	1974 ^{2/}	1975	1976 ^{3/}	1977	1978	Total
GRANT AWARD	\$13,235,208	\$17,446,774	\$24,216,336	\$28,350,636	\$35,462,087	\$118,711,041
EXPENDITURES ^{1/}						
1974 ^{2/}	\$ 79,710					\$ 79,710
1975	6,251,538	\$ 188,857				6,440,395
1976 ^{3/}	6,209,238	14,316,282	\$ 3,381,970			23,907,490
1977	629,509	2,741,526	17,576,137	\$ 6,015,990		26,963,162
1978 ^{4/}	(64,529) ^{5/}	112,867	1,915,889	18,790,171	\$ 8,122,165	28,876,563
Total	\$13,105,466	\$17,359,532	\$22,873,996	\$24,806,161	\$ 8,122,165	\$ 86,267,320
Unexpended Funds June 30, 1978	\$ 129,742	\$ 87,242	\$ 1,342,340	\$ 3,544,475	\$27,339,922	\$ 32,443,721 ^{6/}

^{1/} Expenditures represent funds advanced to community projects.

^{2/} Schedule does not show expenditures from grant awards received in preceding years.

^{3/} The Federal Government converted to a fiscal year ending September 30. The 1976 period includes the federal transition quarter July 1, 1976 through September 30, 1976.

^{4/} Includes transactions for the first nine months of the 1977-78 HEW fiscal year ending June 30, 1978.

^{5/} Abatement of expenditure incurred in prior years.

^{6/} Department records show that \$356,192 of this amount was released by the projects to the Department for subsequent return to the Federal Government.

(UNAUDITED)

TABLE II
SUMMARY OF CALIFORNIA DEPARTMENT OF AGING EXPENDITURES^{1/}
TITLE III GRANT AWARDS 1974 THROUGH 1978
STATUS AS OF JUNE 30, 1978
(UNAUDITED)

	<u>1974^{2/}</u>	<u>1975</u>	<u>1976^{3/}</u>	<u>1977</u>	<u>1978</u>	<u>Total</u>
GRANT AWARD	<u>\$4,780,795</u>	<u>\$6,837,118</u>	<u>\$10,748,894</u>	<u>\$10,625,833</u>	<u>\$13,463,275</u>	<u>\$46,455,915</u>
EXPENDITURES ^{1/}						
1974 ^{2/}	\$ 79,710					\$ 79,710
1975	1,461,271	\$ 188,857				1,650,128
1976 ^{3/}	2,592,849	5,477,681	\$ 2,037,432			10,107,962
1977	602,396	1,034,350	6,835,894	\$1,282,800		9,755,440
1978 ^{4/}	-0-	87,177	842,668	7,605,639	\$ 2,706,969	11,242,453
Total	<u>\$4,736,226</u>	<u>\$6,788,065</u>	<u>\$ 9,715,994</u>	<u>\$ 8,888,439</u>	<u>\$ 2,706,969</u>	<u>\$32,835,693</u>
Unexpended Funds June 30, 1978	<u>\$ 44,569</u>	<u>\$ 49,053</u>	<u>\$ 1,032,900</u>	<u>\$ 1,737,394</u>	<u>\$10,756,306</u>	<u>\$13,620,222^{5/}</u>

^{1/} Expenditures represent funds advanced to community projects.

^{2/} Schedule does not show expenditures from grant awards received in preceding years.

^{3/} The Federal Government converted to a fiscal year ending September 30. The 1976 period includes the federal transition quarter July 1, 1976 through September 30, 1976.

^{4/} Includes transactions for the first nine months of the 1977-78 HEW fiscal year ending June 30, 1978.

^{5/} Department records show that \$129,161 of this amount was released by the projects to the Department for subsequent return to the Federal Government.

(UNAUDITED)

TABLE III
SUMMARY OF CALIFORNIA DEPARTMENT OF AGING EXPENDITURES^{1/}
TITLE VII GRANT AWARDS 1974 THROUGH 1978
STATUS AS OF JUNE 30, 1978
(UNAUDITED)

	<u>1974^{2/}</u>	<u>1975</u>	<u>1976^{3/}</u>	<u>1977</u>	<u>1978</u>	<u>Total</u>
GRANT AWARD	<u>\$8,454,413</u>	<u>\$10,609,656</u>	<u>\$13,467,442</u>	<u>\$17,724,803</u>	<u>\$21,998,812</u>	<u>\$72,255,126</u>
EXPENDITURES ^{1/}						
1974 ^{2/}	\$ -0-					\$ -0-
1975	4,790,267	-0-				4,790,267
1976 ^{3/}	3,616,389	8,838,601	\$ 1,344,538			13,799,528
1977	27,113	1,707,176	10,740,243	\$ 4,733,190		17,207,722
1978 ^{4/}	(64,529) ^{5/}	25,690	1,073,221	11,184,532	\$ 5,415,196	\$17,634,110
Total	<u>\$8,369,240</u>	<u>\$10,571,467</u>	<u>\$13,158,002</u>	<u>\$15,917,722</u>	<u>\$ 5,415,196</u>	<u>\$53,431,627</u>
Unexpended Funds June 30, 1978	<u>\$ 85,173</u>	<u>\$ 38,189</u>	<u>\$ 309,440</u>	<u>\$ 1,807,081</u>	<u>\$16,583,616</u>	<u>\$18,823,499^{6/}</u>

^{1/} Expenditures represent funds advanced to community projects.

^{2/} Schedule does not show expenditures from grant awards received in preceding years.

^{3/} The Federal Government converted to a fiscal year ending September 30. The 1976 period includes the federal transition quarter July 1, 1976 through September 30, 1976.

^{4/} Includes transactions for the first nine months of the 1977-78 HEW fiscal year ending June 30, 1978.

^{5/} Abatement of expenditure incurred in prior years.

^{6/} Department records show that \$227,031 of this amount was released by the projects to the Department for subsequent return to the Federal Government.

(UNAUDITED)

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
August 24, 1978
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Expenditure Premises

At the end of federal fiscal year 1977 (September 30, 1977) the Department had accumulated \$25.8 million in unexpended Title III and Title VII funds. An additional \$35.5 million was awarded to California for federal fiscal year 1978, thereby increasing total funds available to \$61.3 million. Total cumulative unexpended funds may be reduced based on the following expenditure premises:

1. Current Level of Expenditure

During the first nine months of federal fiscal year 1978, the Department had expended an average of \$3.2 million per month. If this expenditure rate should continue, the Department would reduce cumulative unexpended funds to \$22.8 million by September 30, 1978.

2. Department's Planned Level of Expenditure

The Department did not achieve its planned level of expenditure for the quarter ending June 30, 1978, which would have reduced its cumulative unexpended balance to \$19.6 million by September 30, 1978. The Department, however, plans to increase its expenditure level to \$3.369 million per month during the last three months of the current federal fiscal year. Should this occur, the cumulative unexpended balance would be reduced to \$22.3 million by September 30, 1978.

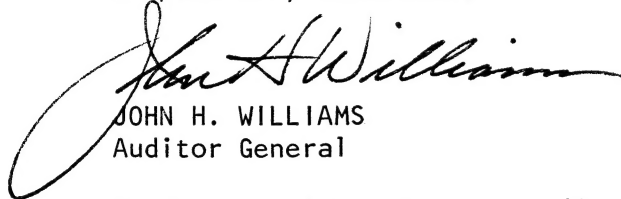
3. Maximum Draw

Grant monies are made available to the Department by means of a "draw" or letter of credit authorized by the U. S. Department of Health, Education, and Welfare (HEW). On May 8, 1978 HEW authorized the Department to draw up to a maximum of \$3.7 million (Title III and Title VII programs) per month. This authorized increase was based on an evaluation of the Department's expenditure levels. If the Department expends funds at the maximum amount authorized by the federal letter of credit, the cumulative unexpended balance would be reduced to \$ 19.8 million by September 30, 1978.

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Chairman, and Members of the
Joint Legislative Audit Committee
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Table IV presents the amounts of cumulative unexpended federal Title III and Title VII funds projected to September 30, 1978 based on the above three expenditure premises.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

Staff: Harold L. Turner, Audit Manager
Robert E. Christophel
Jacques M. Barber
Ann R. MacAdam, Secretary

TABLE IV
PROJECTED CUMULATIVE UNEXPENDED
FEDERAL TITLE III AND TITLE VII FUNDS
STATUS AS OF SEPTEMBER 30, 1978

	Expenditure Premises		
	1 Current Level of Expenditure	2 Department's Planned Expenditures	3 Maximum Draw
Total funds available for expenditure on October 1, 1977 ^{1/}	\$61,255,000	\$61,255,000	\$61,255,000
Less: Projected expenditures from October 1, 1977 to September 30, 1978 based on the following premises:			
1. Current level of expenditure	\$38,477,000		
2. Department's planned expenditures		\$38,984,000	
3. Maximum draw under federal letters of credit for 1978 ^{2/}			\$41,500,000
Cumulative unexpended federal funds projected to September 30, 1978	<u>\$22,778,000</u>	<u>\$22,271,000</u>	<u>\$19,755,000</u>

^{1/} Includes unexpended Title III and Title VII funds from grant awards received 1974 through 1978.
The federal fiscal year is October 1 through September 30.

^{2/} The federal letter of credit was increased from \$3.0 million to \$3.5 million in January 1978
and from \$3.5 million to \$3.7 million in May 1978.

DEPARTMENT OF AGING

918 J STREET

SACRAMENTO, CALIFORNIA 95814

August 23, 1978

John H. Williams, Auditor General
Joint Legislative Audit Committee
926 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Williams:

This is in response to your draft letter report 827.2 on expenditure of monies by the California Department of Aging (CDA).

CDA concurs with the findings in letter report 827.2 and wishes to point out two additional factors which are contributing to CDA's failure to meet the proposed unexpended balance. When the plan for expenditure of Title III and VII funds was developed, the annual allotments for Titles III and VII were estimated at \$35.1 million. The annual allotment materialized at \$35.5 million, \$400,000 more than anticipated. After development of the plan, USDA cash in the amount of \$4 million was made available to Title VII projects for the fiscal-year 78. Although the USDA cash was earned on meals served after September 30, 1977, USDA cash was not provided to Title VII projects prior to April 1978. Between April 1978 and June 30, 1978, \$1,721,963 was expended by CDA from USDA funds.

CDA had expected to average approximately \$3.48 million per month expenditure during FY 78. Including the USDA funds, expenditure rate for the first nine months of the Federal fiscal-year 78 is \$3.39 million. CDA has fallen approximately \$90,000 per month short of its goal of \$3.48 million per month expenditure rate.

CDA's revised planned level of expenditure for Titles III and VII for the last three months of the current Federal fiscal-year is \$3.36 million per month as stated in the Audit Report. Since CDA's expenditure level for the month of July was \$4.7 million, CDA may exceed its current planned level of expenditure for the last three months of this fiscal year.

If you have any questions, please contact Patricia Coontz on 322-5830.

Sincerely,



Janet J. Levy
Director

322-5290